BASE VILLAGE METROPOLITAN DISTRICT NO. 2
Pitkin County, Colorado

FINANCIAL STATEMENTS
December 31, 2014

TABLE OF CONTENTS

WAGNER BARNES & GRIGGS, PC

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Base Village Metropolitan District No. 2
Pitkin County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Base Village Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Base Village Metropolitan District No. 2, as of December 31, 2014, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Wagner Barnes & Griggs, PC

12136 W. Bayaud Avenue., Suite 300 · Lakewood, Colorado 80228
303.202.1800 Office · 303.237.0155 Fax · www.wbcpaco.com

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Wagner Barnes & Griggs, PC

Lakewood, Colorado
July 9, 2015

BASIC FINANCIAL STATEMENTS

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
December 31, 2014

	Governmental Activities
ASSETS	
Cash and investments - Restricted	$ 1,247,152
Receivable - County Treasurer	4,895
Due from other governments	7,507
Property taxes receivable	1,616,779
Total assets	2,876,333
LIABILITIES	
Accrued interest - 2013A Loan	50,766
Due to other governments	675
Noncurrent liabilities	
Accrued interest on Guarantor Bonds	6,458,963
Accrued interest on 2013B Bonds	1,429,106
Due within one year	620,000
Due in more than one year	44,118,000
Total liabilities	52,677,510
DEFERRED INFLOW OF RESOURCES	
Deferred property tax revenue	1,616,779
Total deferred inflow of resources	1,616,779
NET POSITION	
Restricted	1,208,113
Unrestricted	(52,626,069)
Total net position	$ (51,417,956)

These financial statements should be read only in connection with the accompanying notes to financial statements.

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Primary government:					
Government activities:					
Intergovernmental	$ 221,506	$ -	$ -	$ -	$ (221,506)
Interest and related costs on long-term debt	2,355,188	-	-	103,000	(2,252,188)
	$ 2,576,694	$ -	$ -	$ 103,000	(2,473,694)
General revenues:					
Property taxes					1,552,355
Specific ownership taxes					51,682
Investment income					2,420
Total general revenues					1,606,457
Change in net position					(867,237)
Net position - Beginning					(50,550,719)
Net position - Ending					$ (51,417,956)

These financial statements should be read in connection with the accompanying notes to financial statements.

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments - Restricted	$ -	$ 1,247,152	$ -	$ 1,247,152
Receivable - County Treasurer	675	4,220	-	4,895
Due from other governments	-	7,507	-	7,507
Property tax receivable	223,004	1,393,775	-	1,616,779
TOTAL ASSETS	$ 223,679	$ 2,652,654	$ -	$ 2,876,333
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Due to other governments	$ 675	$ -	$ -	$ 675
Total liabilities	675	-	-	675
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	223,004	1,393,775	-	1,616,779
Total deferred inflows of resources	223,004	1,393,775	-	1,616,779
FUND BALANCES				
Restricted for:				
Debt service	-	1,258,879	-	1,258,879
Total fund balances	-	1,258,879	-	1,258,879
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 223,679	$ 2,652,654	$ -	

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Loan payable - Series 2013A	(19,700,000)
Accrued loan interest payable - Series 2013A	(50,766)
Bonds payable - Series 2013B	(23,760,000)
Accrued bonds interest payable - 2013B	(1,429,106)
Bonds payable - Guarantor	(1,278,000)
Accrued bonds interest payable - Guarantor Bonds	(6,458,963)
Net position of governmental activities	$ (51,417,956)

These financial statements should be read only in connection with the accompanying notes to financial statements.

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2014

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property taxes	$ 214,283	$ 1,338,072	$ -	$ 1,552,355
Specific ownership tax	7,128	44,554	-	51,682
Capital facility fees	-	103,000	-	103,000
Investment income	95	2,325	-	2,420
Total revenues	221,506	1,487,951	-	1,709,457
EXPENDITURES				
Current				
County Treasurer's fees	10,714	66,959	-	77,673
Intergovernmental	210,792	-	-	210,792
Debt service				
Bond principal	-	600,000	-	600,000
Bond interest	-	853,123	-	853,123
Total expenditures	221,506	1,520,082	-	1,741,588
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(32,131)	-	(32,131)
OTHER FINANCING SOURCES (USES)				
Transfer to (from) other fund	-	10	(10)	-
Total other financing sources (uses)	-	10	(10)	-
NET CHANGE IN FUND BALANCES	-	(32,121)	(10)	(32,131)
FUND BALANCES - BEGINNING OF YEAR	-	1,291,000	10	1,291,010
FUND BALANCES - END OF YEAR	$ -	$ 1,258,879	$ -	$ 1,258,879

These financial statements should be read only in connection with the accompanying notes to financial statements.

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - Total governmental funds	$	(32,131)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Bond principal payment		600,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest on long-term obligations - Change in liability		(1,435,106)
Changes in net position of governmental activities	$	(867,237)

These financial statements should be read only in connection with the accompanying notes to financial statements.

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2014

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 209,018	$ 214,283	$ 214,283	$ -
Specific ownership tax	6,270	7,200	7,128	(72)
Investment income	100	100	95	(5)
Total revenues	215,388	221,583	221,506	(77)
EXPENDITURES				
Current				
County Treasurer's fees	10,451	10,714	10,714	-
Intergovernmental	204,937	210,869	210,792	77
Total expenditures	215,388	221,583	221,506	77
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCES - BEGINNING OF YEAR	-	-	-	-
FUND BALANCES - END OF YEAR	$ -	$ -	$ -	$ -

These financial statements should be read only in connection with the accompanying notes to financial statements.

NOTE 1 - DEFINITION OF REPORTING ENTITY

Base Village Metropolitan District No. 2 (the District) was organized by Court Order in December 2004, to provide financing for the design, acquisition, installation and construction of streets, drainage, traffic and safety controls, park and recreation, transportation, and mosquito and pest control. The District's service area is located entirely within the Town of Snowmass Village (the Town), in Pitkin County, Colorado. Under the Consolidated Service Plan (Amended and Restated Consolidated Service Plan approved October 17, 2006), the District is the Financing District and is related to Base Village Metropolitan District No. 1 (Base Village No. 1), which serves as the Service District. The Service District is responsible for management of the construction of all facilities and improvements and for operation and maintenance of all improvements not conveyed to the Town. The Service District, together with the Financing District, provides the funding for infrastructure improvements and the tax base needed to support ongoing operations.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District has no employees and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, liabilities and deferred inflow of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

> The General Fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.
>
> The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing use level

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District has amended its budget during the year ended December 31, 2014.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund’s average equity balance in the total cash.

Investments are carried at fair value.

Property Taxes

Property taxes are levied by the District’s Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuring calendar year. The taxes are payable by April or if in equal installments, at the taxpayer’s election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Capital Facility Fee

A fee of $5,150 will be collected upon the initial sale of each residential living unit and used to pay debt service payments on the bonds.

Expenditures

Administrative Expenditures

Base Village No. 1 records all operational and administrative expenditures for the Districts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Base Village No. 1 - IGA Reimbursement

Pursuant to an intergovernmental agreement between the District and Base Village No. 1, revenues collected by the District, including net property taxes and specific ownership in the General Fund will be remitted to Base Village No. 1 (see Note 7). Net property taxes and specific ownership taxes remitted to Base Village No. 1 will be used to pay operations and maintenance costs.

Fund Equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2014, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments - Restricted	$ 1,247,152

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2014, the District had no cash deposits.

Investments

The District follows state statutes regarding investments, and as such, has not adopted a formal policy.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

. Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
. General obligation and revenue bonds of U.S. local government entities
. Certain certificates of participation

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

. Certain securities lending agreements
. Bankers' acceptances of certain banks
. Commercial paper
. Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
. Certain money market funds
. Guaranteed investment contracts
* Local government investment pools

As of December 31, 2014, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	$ 1,247,152

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at $1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAm by Standard & Poor's.

NOTE 4 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2014:

	Balance at December 31, 2013	Additions	Reductions	Balance at December 31, 2014	Due Within One Year
Governmental Activities:					
General obligations payable:					
Guarantor Bonds	1,278,000	-	-	1,278,000	-
Accrued interest on Guarantor Bonds	6,331,163	127,800	-	6,458,963	-
2013A Loan	20,300,000	-	600,000	19,700,000	620,000
2013B Bonds	23,760,000	-	-	23,760,000	-
Accrued interest on 2013B Bonds	120,397	1,544,400	235,691	1,429,106	-
	$ 51,789,560	$ 1,672,200	$ 835,691	$ 52,626,069	$ 620,000

The details of the District's long-term obligations are as follows:

General Obligation Bonds

$20,300,000 Senior Tax-Free Loan Refunding & Improvement, Series 2013A, dated December 2, 2013. The loan matures on December 2, 2020, with mandatory redemption principal payments starting at $600,000 on December 1, 2014, and interest payments due on June 1 and December 1 at a fixed interest rate of 3.05% per annum. The loan may be prepaid without premium or penalty starting on and after September 2, 2016. A balloon payment of $16,430,000 is due on the maturity date. In the event that the refinancing is not successful prior to that time, the loan balance will begin to bear interest at an adjusted rate 11.05%.

The loan is secured and payable from the following sources, net of any collection costs: 1) property tax revenues from the "Required Mill Levy", and 2) specific ownership tax revenue related to the "Required Mill Levy". The term "Required Mill Levy" includes both a debt service mill levy and an operations mill levy component. The Required Mill Levy is 37.5 mills for debt service and 6.0 mills for operations. The Required Mill Levy is subject to adjustment for changes in the ratio of actual value to assessed value of property within the District. The Consolidated Service Plan establishes certain limitations on the maximum mill levy that the District may impose for debt service, and the terms of the Bonds are subject to these limitations.

$23,760,000 Subordinate Limited Tax Revenue Refunding Bond, Series 2013B, dated November 13, 2013. The bond matures on December 15, 2043, and has an interest rate of 6.50% that will be imposed on the unpaid principal amount. The bond is secured and payable from the following sources, net of any collection costs: 1) property tax revenues from the "Required Mill Levy", 2) specific ownership tax revenue related to the "Required Mill Levy", 3) capital fees, and 4) any other legally available money.

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Pledged Revenues from the Required Mill Levy are available to pay for commitments under the Bond Resolution only after subtracting the Required Mill Levy revenues due under the Loan Agreement. To the extent of available Pledged Revenues, interest and principal payments are due annually on or before December 15, beginning on or after the Custodial Eligibility Date, defined as the first date on which the Debt to Assessed Ratio is equal to or less than 50%, until the bond is paid in full. However, any amount remaining unpaid on the bond maturity date shall be deemed fully discharged without further action by the District or the Owner.

The District's pledge of capital fees revenue toward the repayment of the bond is not subordinate to the loan, but rather is a first priority pledge. Capital fees are due annually to the bondholder on or before December 15 starting on December 15, 2014.

$1,278,000 Guarantor Bonds, Series 2011, dated December 23, 2011. On December 2, 2013, $31,272,000 of Guarantor bonds were refunded with the Series 2013A loan and Series 2013B Bonds, leaving a remaining balance of $1,278,000. The Guarantor bonds were held by Snowmass Acquisition Company LLC (SAC, see Note 6) as of December 31, 2013. Under the Fourth Supplemental Indenture of Trust, the underlying indenture is suspended, provided that the Guarantor bonds shall continue to bear interest at a rate of 10% and may be refunded at any date by the District. However, the District has no obligation to impose a mill levy for the purpose of repayment. Any amount remaining unpaid at maturity date of December 1, 2038, shall be deemed fully discharged without further action by the District.

Capital Pledge Agreement between the District and Base Village No. 1

On December 2, 2013, the District entered into an agreement (the Capital Pledge Agreement) with Base Village No. 1 in connection with the issuance of the District's Series 2013A loan and Series 2013B bond. Subject to certain conditions, including the levy by the District of the Required Mill Levy associated with the bonds, the Capital Pledge Agreement requires the levy by District No. 1 of up to 43.5 mills annually to support debt service on the bonds. For the year ended December 31, 2014, the District does not require a capital levy from District No. 1 to support debt service.

Series 2013A Loan principal and interest will mature as follows:

	Principal	Interest	Total
2015	$ 620,000	$ 609,195	$ 1,229,195
2016	635,000	591,639	1,226,639
2017	655,000	570,386	1,225,386
2018	670,000	550,131	1,220,131
2019	690,000	529,412	1,219,412
2020	16,430,000	501,115	16,931,115
	$ 19,700,000	$ 3,351,878	$ 23,051,878

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 1, 2005, the District's electors authorized the issuance of indebtedness in an amount not to exceed $107,500,000. At December 31, 2014, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 6, 2007 Election	Authorization Used Series 2008 A&B	Authorization Used Series 2008D	Authorization Used Series 2013 A&B	Remaining at December 31, 2014
Streets	$ 41,300,000	$ 21,248,750	$ -	$ -	$ 20,051,250
Public transportation	39,300,000	21,965,000	2,200,000	-	15,135,000
Fire protection	2,000,000	1,193,750	-	-	806,250
Traffic and safety	1,800,000	-	-	-	1,800,000
Parks and recreation	23,000,000	3,342,500	-	-	19,657,500
Mosquito control	100,000	-	-	-	100,000
	$ 107,500,000	$ 47,750,000	$ 2,200,000	$ -	$ 57,550,000

Pursuant to the Amended and Restated Consolidated Service Plan, the Districts are permitted to issue bond indebtedness of up to $48,700,000 in par amount, excluding underwriter discount, credit enhancement costs, other costs of issuance, and payments made by guarantors under any pledge agreement or for direct bond payments. As of December 31, 2012, the District has issued $47,750,000 (inclusive of $4,179,943 of cost excludable as described above) of General Obligation Bonds and $2,200,000 in the form of a Developer Subordinate Note.

During 2013, the District refunded its Series 2008A bonds, repaid its Developer Subordinate Note, and reduced its Guarantor Bond obligation through the issuance of the 2013A Loan and 2013B bond. No additional authorization was used as the District issued less debt than was previously issued with the 2008 obligations and Subordinate Note.

NOTE 5 - NET POSITION

The District has net position consisting of two components - restricted and unrestricted.

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of $1,208,113 as of December 31, 2014.

The District's unrestricted net position as of December 31, 2014, is $(52,626,069). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements, which are being constructed, funded and/or reimbursed by Base Village No. 1 and will be held by Base Village No. 1 or conveyed to other governmental entities.

NOTE 6 - RELATED PARTIES

Destination Snowmass Services, Inc., served as Receiver with respect to the holdings of Base Village Owner LLC (BVO) within the project served by the District, in connection with a foreclosure action instituted by certain lenders of Base Village Owner LLC during 2010 and 2011. Representatives or employees of the Receiver (or its affiliates) occupied four of the five positions on the Board of Directors. During 2012, the holdings were sold to Snowmass Acquisition Company LLC (SAC) and four of the five positions on the Board of Directors held by the Receiver are now held by SAC. An employee of Aspen Skiing Company occupies the remaining seat. Such Board members may have potential conflict of interest with respect to actions taken in their capacity as Board members. Disclosure of any potential conflicts of interest is made in accordance with Colorado law, in advance of each Board meeting.

NOTE 7 - DISTRICT AGREEMENTS

Intergovernmental Agreement with Base Village No. 1

The District entered into an intergovernmental agreement with Base Village No. 1 on July 25, 2007, to coordinate the construction, operation and maintenance and financing of facilities that are intended to benefit both the District and Base Village No. 1. Serving as the Service District, Base Village No. 1 agrees to construct, manage the financing, operate and maintain the public facilities that Base Village No. 1 will own. In connection with the issuance of the Series 2008A and Series 2008B bonds, the District and Base Village No. 1 entered into an “Amended and Restated” intergovernmental agreement dated June 25, 2008. This Amended and Restated intergovernmental agreement made certain changes to accommodate the issuance of the Series 2008A and Series 2008B bonds. The issuance of the 2013A Loan and 2013B bonds by the District also falls under the parameters of this Agreement. During 2014, the District remitted $210,792 of net property taxes and specific ownership taxes for operations to pay for and/or reimburse the costs of public infrastructure contracted by Base Village No. 1.

Intergovernmental Agreement with Snowmass Village General Improvement District No. 1

On September 30, 2006, the District and Base Village No. 1 (collectively, the Districts) entered into an agreement with Snowmass Village General Improvement District No. 1 (the GID) in order to establish the total aggregate mill levies that are to be imposed by the Districts and the GID. The mill levies, which are to pay for their respective indebtedness and operating costs, will not exceed 49.500 mills annually. The District is to levy 29.500 mills in 2006, 2007, and 2008 for operations and maintenance and then no more than 6.000 mills for operation and maintenance in any year thereafter. In 2012, for collection year 2013, the District levied a debt service mill levy of 37.500 mills, and will continue to levy until any subordinate debt is paid in full. The GID will levy 20.000 mills in 2006, 2007, and 2008 for operations and maintenance expenses and then not more than 10.000 mills thereafter. However, the GID is further limited to 6.000 mills for operations and maintenance until any subordinate debt is paid in full.

NOTE 7 - DISTRICT AGREEMENTS (CONTINUED)

Operations Guarantee Agreement

On November 13, 2013, the District entered into an Operations Guarantee Agreement with Base Village Metropolitan District No. 1 and SAC, for the purpose of establishing a source of supplementary funding for operating costs during the Obligation Period which lasts as long as the date hereof and through and including the final maturity date of the 2013A Loan, December 2, 2020.

In the event that the Districts do not have sufficient funds to pay Operating Costs during the aforementioned period, SAC shall be obligated to provide supplemental funding in the amount of the Shortfall, given that specified conditions within the agreement are satisfactorily met. It is currently not determinable if SAC has the ability to provide supplemental funding, if requested.

Infrastructure Acquisition and Reimbursement Agreement

Base Village No. 1 entered into an Infrastructure Acquisition and Reimbursement Agreement (IARA) dated October 19, 2007, with the District and the new Developer, Base Village Owner LLC. On September 28, 2012, the obligations were assigned to SAC (see Note 6). The District is party to the IARA for purposes of providing funding for payment of obligations to the Developer. Per the IARA, the Developer will construct certain Public Infrastructure improvements and will be reimbursed by the District for those improvements that are determined to be “District Eligible Costs”. District Eligible Costs shall mean any and all costs that may be lawfully funded by the Districts under the Special District Act and the Districts’ Service Plan. Base Village No. 1 will accept District Eligible Costs after cost and engineer certifications are issued. With respect to District Eligible Costs for which the Districts become obligated to reimburse the Developer but remained unpaid, interest will accrue at 8% per annum from the date of acceptance.

NOTE 8 – INTERFUND TRANSFER

During 2014, the District transferred $10 from the Capital Projects fund to the Debt Service fund to close out the Capital Projects fund.

NOTE 9 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2014. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials’ liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 9 - RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to Base Village No. 1 pursuant to the Master IGA. Therefore, the Emergency Reserves related to the District's revenues are captured in Base Village No. 1.

On November 4, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve, all currently levied taxes and fees of the District without regard to any limitations under TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2014

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	$ 1,306,365	$ 1,338,072	$ 31,707
Specific ownership tax	39,190	44,554	5,364
Capital facility fees	309,000	103,000	(206,000)
Investment income	3,000	2,325	(675)
Total revenues	1,657,555	1,487,951	(169,604)
EXPENDITURES			
Current			
County Treasurer's fees	65,318	66,959	(1,641)
Bond principal	600,000	600,000	-
Bond interest	945,329	853,123	92,206
Paying agent/trustee fees	8,000	-	8,000
Total expenditures	1,618,647	1,520,082	98,565
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	38,908	(32,131)	(71,039)
OTHER FINANCING SOURCES (USES)			
Transfer from other fund	10	10	-
Total other financing sources (uses)	10	10	-
NET CHANGE IN FUND BALANCE	38,918	(32,121)	(71,039)
FUND BALANCES - BEGINNING OF YEAR	1,281,181	1,291,000	9,819
FUND BALANCES - END OF YEAR	$ 1,320,099	$ 1,258,879	$ (61,220)

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2014

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment income	$ -	$ -	$ -
Other income	-	-	-
Total revenues	-	-	-
EXPENDITURES			
Intergovernmental	-	-	-
Total expenditures	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfer to other fund	(10)	(10)	-
Total other financing sources (uses)	(10)	(10)	-
NET CHANGE IN FUND BALANCES	(10)	(10)	-
FUND BALANCES - BEGINNING OF YEAR	10	10	-
FUND BALANCES - END OF YEAR	$ -	$ -	$ -

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2014

	$20,300,000 Senior Tax-Free Loan Refunding & Improvement Fixed Rate Loan, Series 2013A Dated December 2, 2013 Principal Payable December 1 Interest at 3.05% Payable June 1 and December 1		
Year Ended December 31,	Principal	Interest	Total Debt Service
2015	$ 620,000	$ 609,195	$ 1,229,195
2016	635,000	591,639	1,226,639
2017	655,000	570,386	1,225,386
2018	670,000	550,131	1,220,131
2019	690,000	529,412	1,219,412
2020	16,430,000	501,115	16,931,115
	$ 19,700,000	$ 3,351,878	$ 23,051,878

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2014

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied Operations	Mills Levied Debt Service	Total Property Taxes Levied	Total Property Taxes Collected	Percentage Collected to Levied
2009	$ 22,457,460	29.500	0.000	$ 662,400	$ 657,713	99.29%
2010	$ 37,637,670	6.000	37.500	$ 1,637,200	$ 1,450,108	88.57%
2011	$ 40,643,900	6.000	37.500	$ 1,768,009	$ 1,768,009	100.00%
2012	$ 32,925,410	6.000	37.500	$ 1,432,255	$ 1,317,137	91.96%
2013	$ 32,201,150	6.000	37.500	$ 1,400,750	$ 1,394,022	99.52%
2014	$ 35,695,930	6.000	37.500	$ 1,552,773	$ 1,552,355	99.97%
Estimated for the year ending December 31, 2015	$ 37,167,320	6.000	37.500	$ 1,616,779		

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy if delinquent taxes are collected.